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# **Korea, Republic of**

## **Fishery Products**

### **Seafood Market in Korea 2000**

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#### **Report Highlights:**

**Korean total seafood imports surpassed \$1 billion in 1999, while U.S. exports of seafood products to Korea reached record levels. The strong Korean economy is expected to further increase consumer demand for seafood products. U.S. exporters have an opportunity for greater participation in the Korean seafood market.**

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## Korea Market Brief on Seafood

### Section I. Market Overview

The Korean market for imported seafood products is the largest ever, and promises to continue growing. While Korea produces about 90 percent of consumption levels, production is not likely to rise, though consumer appetite for seafood will increase. U.S. suppliers have an opportunity to provide this market with a variety of products attractive to the Korean consumer. This report describes this market, and provides an overview of what types of imported products are in demand.

Total imports of fishery products (HS 03) by Korea amounted to over \$1 billion in Calendar Year 1999, up 109 percent from \$499 million in 1998. The 704,000 metric tons imported in 1999 was a record high level. Fishery product imports (HS 03) from the United States also increased significantly, by about 56 percent, to \$120 million in 1999, up from \$77 million in 1998. Korea produced a total of 2.91 million metric tons of seafood, while exporting 438,000 metric tons (including seaweed) in 1999. Exports amount to over \$1 billion of fishery products annually, to as many as 60 countries around the world.

This import surge is attributed to strong economic recovery, the stagnant fish catch in 1999, and restrictions on fish catches resulting from the Korean government's agreement with Japan about fishing zones in neighboring waters. The future catch of fish by Korea is not likely to increase, but the demand will increase considerably in the future in tandem with the increase of per capita income.

The United States holds high market shares for several species, but faces fierce competition from as many as 70 countries in the Korean seafood market. China, Russia, Japan and South East Asian countries are our major competitors. However, U.S. seafood exporters can provide certain unique species, and sell a variety of high quality products to the "upper end" of the market. Imports of seafood are expected to increase significantly in the foreseeable future thanks to the reasons mentioned above.

#### Advantages

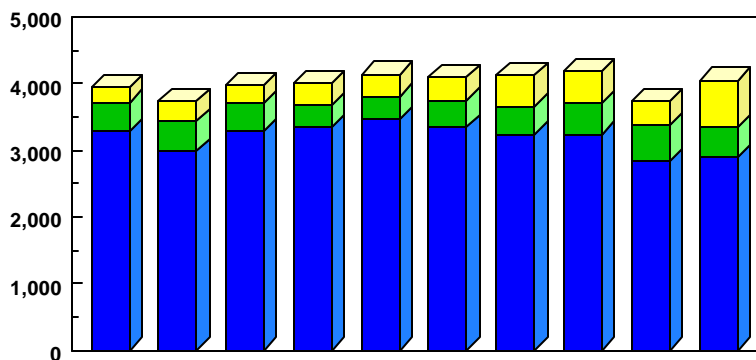
- ! Fast and strong economic recovery
- ! Relatively low tariffs, 10 percent for most frozen fish and seafood products
- ! Demand for fish increasing
- ! Fish catches not increasing
- ! U.S. products equal or superior in quality to competitor's fishes
- ! Complete liberalization of fish imports

#### Challenges

- ! High adjustment tariffs for some species
- ! No active promotional activities from the United States
- ! Fierce competition among supplying countries
- ! U.S. exporters lack knowledge of Korean market
- ! Korean importers lack familiarity with many U.S. fish and their source

## Total Supply of Seafood in Korea

Thousand Metric Tons

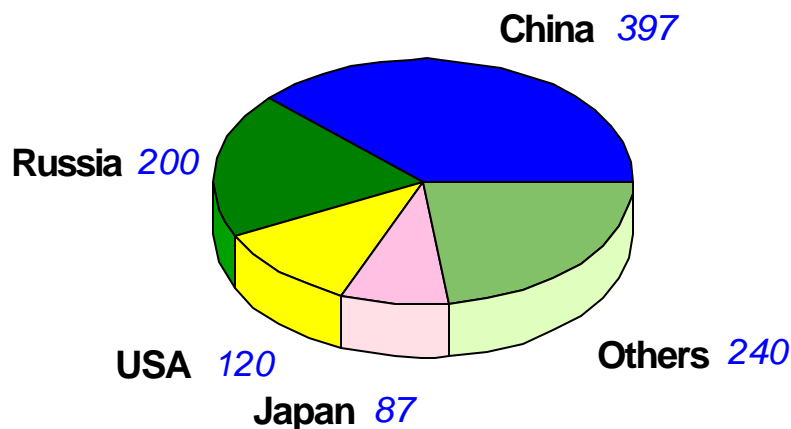


Total supply includes fish, crustaceans, molluscs, seaweed, processed and prepared fish.

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Harvest	3,275	2,983	3,289	3,335	3,477	3,348	3,244	3,244	2,834	2,909
Export	446	466	420	350	339	405	418	473	555	438
Import	226	300	277	312	328	351	467	464	340	704

## Major Seafood Exporting Countries to Korea in 1999 (HS 03)

Unit: \$Million



Fish exports from four leading countries to Korea account for 77 percent and the remaining 66 countries account for 23 percent.

## Section II. Market Opportunities and Threats

### 1. Major species from USA with \$500,000 of imports or over in 1999 (\$million)

Surimi, frozen (47.1), Angler, frozen (25.7), Roes of Alaska pollack, frozen (7.5), Other flat fish, frozen (6.8), Atka mackerel, frozen (5.3), Rock fish, frozen (4.5), Hag fish, frozen (4.2), Angler, fresh (3.6), Alaska pollack, frozen (2.6), Cod, frozen (2.5), Skate, frozen (1.8), Cod, fresh (1.5), Lobsters, not frozen (1.5), Crustacean/molluscs extracts or juices (1.3), Rock lobster/crawfish, frozen (0.9), Prepared sea cucumbers (0.9), Sable fish, frozen (0.8), and Ray, frozen (0.5).

Imports of these species totaled \$118.7 million and account for over 96 percent of the total fish imports (HS 03, HS 1603, 1604 & 1605) from the United States in 1999.

### 2. Major species from the world with \$10 million of imports or over in 1999 (\$million)

Roes of Alaska pollack, frozen (142.7), Yellow Corvina, frozen (131.3), Surimi, frozen (96.3), Angler, frozen (42.3), Alaska pollack, frozen (36.8), Hair tail, frozen (33.9), Poulp squid, frozen (32.2), Fillets, frozen (30.1), Eels, live (24.6), Crabs, frozen (22.7), Hair tail, fresh (22.6), Shrimps and prawns, frozen (33.3), Squid, frozen (20.3), Seasoned squid (15.9), Mackerel, frozen (15.8), Cod, frozen (15.5), Rock fish, frozen (14.4), Other flat fish, frozen (13.9), Shrimps and prawns, prepared (13.5), Octopus, frozen (13.3), Shrimps and prawns, not frozen (13.1), Sea bass, live (12.6), Jelly fish, salted (11.1), Bai top shell, prepared (10.9), Atka mackerel, frozen (10.5), and Sea-bream, live (10.1).

Imports of these species totaled \$812.8 million and account for about 74 percent of the total fish imports (HS 03, HS 1603, 1604 & 1605) from the world in 1999.

### 3. Trade opportunities

Korea is an important market for U.S. seafood. The strong recovery of the Korean economy, stagnant catches of fishes, and the complete liberalization of fish imports in 1997 have provided good opportunities for U.S. fish products. Major opportunities include surimi, angler fish, roes, flat fish, rock fish, hag fish, Alaska pollack, cod, skate and lobsters. Live and fresh/chilled fish is considered higher in quality than frozen fish, is priced higher than frozen fish, and is generally used in the restaurant and hotel sectors as sashimi and sushi dishes. In 1999 Korea imported \$49 million of fresh fish and \$721 million of frozen fish excluding crustaceans and molluscs. Imported fishes are utilized for both re-export and domestic consumption.

Potential U.S. exporters should contact potential importers directly. Sending catalogues, brochures, product samples, and price lists are a helpful way of introducing themselves and their products. ATO Seoul maintains and develops importer lists by commodity. U.S. suppliers and exporters may contact the ATO Seoul for a list of importers.

Once the U.S. supplier or exporter has established contact, it is advisable for the exporter or supplier to visit the importer(s) in person. The supplier or exporter should bring samples as well as product and company brochures including price lists, shipping dates, available quantities, and any other information needed for negotiating a contract. To build human relationships or personal relationships is very important. Koreans would like to maintain long term relationships.

Another way of finding potential importers is to participate in an international food show in Korea, such as that sponsored by the ATO (The Great American Food Show) in March of every year. The ATO also organizes buying missions which visit United States suppliers and exporters, and will be hosting one soon to be composed of Korean fish.

#### 4. Distribution and Margins

Imported fish generally moves from importer to distributors, then to wholesalers, and then to retailers, or distributed to wholesalers and then to retailers, or to retailers directly. Imported fish is also auctioned off at the wholesale market to middlemen who sell to retailers. Specialty fish stores, supermarkets and department stores are the primary retailers for fish products.

Margins can be different depending upon the species, and supply and demand. Sources say that importers generally add 5-10 percent margin on top of their cost when they sell imported fish to distributors or wholesalers, distributors and wholesalers add up about 10 percent, and retailers also add about 10-15 percent on top of their total cost.

#### 5. Competitive threats

As many as 70 countries are exporting fishery products to Korea. The major competitors are China and Russia. China is the largest supplying country for Korea, exporting \$397 million of fish (HS 03) in 1999, followed by Russia at \$200 million and by the United States at \$120 million. However, according to the U.S. Census Bureau and Foreign Agricultural Service, seafood exports to Korea from the United States reached \$176 million in 1999. We used local import statistics in this report, and realize some differences exist.

The largest species exported by China to Korea in 1999 was frozen yellow corvina at \$131 million, followed by frozen squid at \$31 million, and by frozen hair tail at \$24 million. China is chiefly competing with the United States for cod, angler, skate, Alaska pollack roes, surimi made of other than Alaska pollack, etc. The largest species exported by Russia to Korea in 1999 was roes of Alaska pollack at \$123 million, followed by Alaska pollack at \$30 million and by cod at \$9 million. Russia is mainly competing with the United States for Alaska pollack roes, Alaska pollack, cod, Atka mackerel, rock fish, etc.

Both China and Russia have the advantage of proximity. The prices of some species exporting from these two countries to Korea reportedly are as low as half the prices of those of the United States. However, the quality does not compare. Russia often barter with cod and/or Alaska pollack for fuel for their vessels and/or maintenance of vessels.

### Section III. Tariffs

1. General Tariffs. The following tariffs are applied to seafood imported into Korea except when there are no adjustment tariffs for the following products. When there are adjustment tariffs for some fish, the adjustment tariffs must be applied.

HS Number	Product Description	General Tariffs
0301	Live fish	10%
0302	Fresh/chilled fish	20%
0303	Frozen fish	10%
0304	Fish fillets, fresh/chilled	20%
0304	Fish fillets, frozen	10%
0305	Dried/salted/in brine/smoked	20%
0306	Crustaceans	20% A/
0307	Molluscs	20% B/
1603	Fish extracts/juices	30%
1604	Prepared/preserved fish	20%
1605	Prepared/preserved molluscs & Crustaceans	20%

A/ Except blue crabs and other crabs at 14%

B/ Except live, fresh oyster at 5% & cuttle fish at 10%

2. Adjustment Tariffs. The adjustment tariffs have precedence over the general tariffs. The Korean government has used the adjustment tariffs to protect the domestic industry since full liberalization of fish imports on July 1, 1997. The Korean government currently applies the adjustment tariffs to 14 fishery products, which are much higher than the general tariffs.

HS Number	Product Description	Adjustment Tariffs in 2000
0301	Eels, live	30% A/
0301	Sea bream, live	70% B/
0301	Sea bass, live	70%
0301	Loaches, live	60% C/
0303	Alaska pollack, frozen	30%
0303	Saury except horn fish, frozen	50%
0303	Croakers, frozen	80%

0303	Skate, frozen	60%
0304	Fillets of Alaska pollack, frozen	25% D/
0306	Shrimps and prawns, frozen	35%
0306	Shrimps and prawns, salted/in brine	60% E/
0307	Squid, frozen	40%
0307	Poult squid, frozen	35% F/
1605	Seasoned squid H/	25% G/

A/ or 1,908 won/Kg., whichever is greater

B/ or 5,122 won/Kg., whichever is greater

C/ or 524 won/Kg., whichever is greater

D/ or 383 won/Kg., whichever is greater

E/ or 396 won/Kg., whichever is greater

F/ or 622 won/Kg., whichever is greater

G/ or 395 won/Kg., whichever is greater

H/ excluding in airtight containers and smoked without legs and intestines.

## Section IV. Market Access

Inspection - All fishery products are subject to a sanitary inspection by the National Fisheries Product Inspection Station (NFPIS). The first shipments are always subject to detailed inspections which takes about 5-8 days.

Subsequent shipments of the same species from the same supplier are generally subject to paper inspection which takes 2 or 3 days. The NFPIS inspects live, chilled, frozen, salted, smoked and dried finfish, shellfish and crustaceans. The Korea Food and Drug Administration inspect further processed fishery products, such as fish paste products and canned, bottled and seasoned products.

Labeling Requirements - Korea enforces Korean language label requirements including the name of product, country of origin, name of importer, etc. The label must be put on the smallest unit of package. The Korean importers usually develop negative film of the label and send it to the exporters to put it on the package before they import.

## Section V. Key Contacts and Further Information

Market Briefs are researched and produced by the Agricultural Trade Office in Seoul, Korea. Market Briefs are meant to provide exporters with key information on products the ATO has identified as having excellent potential in the Korean market.

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